



State of Utah

DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS AND MINING

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DOGM
MINERALS PROGRAM
FILE COPY

May 12, 1994

CERTIFIED RETURN RECEIPT
P 074 978 896

Mr. Neldon Kunz
Mine Superintendent
American Gilsonite Company
Bonanza, Utah 84008

Re: Reclamation Surety and Reclamation Contract, American Gilsonite Company (AGC),
Bonanza Mining Operations, M/047/010, Uintah County, Utah

Dear Mr. Kunz:

On October 7, 1993, you and I had a telephone discussion regarding the replacement surety issues raised in the Division's October 4, 1993 letter. As a result of our conversation the Division sent you a letter with several enclosures. To date we have not received a response from you or another AGC representative regarding the status of a replacement reclamation surety and reclamation contract.

According to a directive from the Board of Oil, Gas and Mining, the Division is to escalate reclamation surety estimates five years into the future and review the estimates every five years. The reclamation surety currently in place for AGC's operations had been escalated to an amount in terms of 1990 dollars. In September of 1992 the Division reviewed the existing surety estimate and proposed a new surety amount of \$299,500 in terms of 1998 dollars to AGC. A copy of the surety estimate was sent to AGC with the Division's September 24, 1992 letter. Because we are now in the year 1994, the surety amount has been escalated for five years into the future using the new escalation factor. The amount of reclamation surety requested by the Division is \$324,900, in terms of 1999 dollars (copy of estimate attached). Division records indicate the existing \$500,000 surety originally posted by Chevron Resources Company is still in effect.

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May 12, 1994

Please provide the Division with a written response describing the intentions of AGC with regard to a replacement surety and the reclamation contract within 30 days of your receipt of this letter. If you have any questions or need further assistance please contact me or Wayne Hedberg at the Division.

Sincerely,

A handwritten signature in black ink, reading "Anthony A. Gallegos". The signature is written in a cursive, flowing style with a horizontal line at the end.

Anthony A. Gallegos
Reclamation Engineer

jb
Attachment
cc: Wayne Hedberg (route)
M47-10.SUR

SURETY ESTIMATE UPDATE

DRAFT

American Gilsonite Company (AGC)

filename M47-10UP.WQ1

Bonanza Operations

M/047/010

Uintah County

Prepared by Utah Division of Oil, Gas & Mining

Last Update

05/10/94

DESCRIPTION:

- This update is based on the 11/24/92 reclamation estimate
- Total estimate base amount was \$281,149 in 1992 dollars
- Disturbed acreage = minesites (33), roads (43), facilities (31.2)
- This updates the base amount to 1994 dollars and escalates 5 years forward
- Escalation factors through 1993 are actual Means Historical Cost Indices
- Total disturbed area = 107.2 ACRES

CALCULATIONS	YR	ESCAL FACTOR	BOND AMOUNT
$F = P(1 + i)^{**n}$			
F = Future Sum			
P = Present Sum	1988	0.0181	\$0
i = Escalation Factor	1989	0.0177	\$0
n = number of periods	1990	0.0077	\$0
	1991	0.0127	\$0
BASE AMOUNT=>	1992	0.0221	\$281,149
	1993	0.0254	\$288,290
	1994	0.0201	\$294,085
Three Yr Average = 2.01%	1995	0.0201	\$299,996
Used to Project 5 Yrs	1996	0.0201	\$306,026
Into the Future	1997	0.0201	\$312,177
From the Year 1994	1998	0.0201	\$318,452
	1999	0.0201	\$324,853
Updated Surety Amount Rounded (1999 \$)			\$324,900

** Average cost per acre = 3.031 (\$/ACRE)

NOTE: Previous Division estimate was \$299,500 (1998 \$)